

Office of Chief Counsel  
Internal Revenue Service  
**memorandum**

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JWDuncan

date: JUN 15 1993

to: Chief, Examination Division, Southwest District  
Attn: Phil Wisner, M/S 4202PX

from: District Counsel, Phoenix

subject: [REDACTED] Tefra Issues

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The purpose of this memorandum is to memorialize and summarize informal advice we received from our national office regarding proposed adjustments resulting from the taxpayer's involvement in certain partnerships. As you know, it is not uncommon for partners which are corporations to estimate K-1 amounts due to the early due date for corporate returns. In the present case, the taxpayer was involved during [REDACTED] and [REDACTED] in several such partnerships. For each year, agreeing to the correct amount from the Forms K-1 would result in a net reduction in tax in favor of the taxpayer. The question has arisen regarding whether the estimated amounts may be adjusted to the correct amount where the partnership's limitations period has expired, but the taxpayer/partner's limitations period has not expired due to an extension.

It is our understanding that the Service generally considers such a matter to be a partnership item, so that the running of the partnership's limitation period prohibits the adjustment of such items. Nonetheless, such adjustments may be made upon consideration by the national office on a case by case basis. We are told that the national office will soon issue formal written guidance to the field on this issue.

As for this specific case, however, the national office has approved your making the adjustments for the partnerships in which the taxpayer as a partner incorrectly estimated K-1 amounts. The principles behind their allowing such adjustments in this case are as follows: a) the net effect of such adjustments is in favor of the taxpayer, and 2) for each adjustment for an individual partnership, if any, in favor of the government, you must obtain a closing agreement in order to avoid being whipsawed.

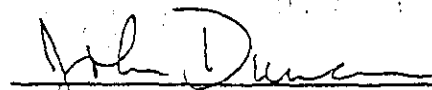
We again note that as this issue is to be considered on a case-by-case basis by the national office until firm guidance is issued, you should not rely on the advice given in this case in

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any other case you might have in which this issue is raised. If you have any questions regarding this matter, please contact the undersigned at (602) 207-8052.

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By:

  
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Attorney